FINAL BUDGET
2012-2013
Office of the Chancellor
September 2012
Los Angeles Community College District
August 22, 2012

The Honorable Members of the Board of Trustees
Los Angeles Community College District

In accordance with Section 58305(c) of Title 5, California Code of Regulations, presented herein is the District’s 2012-2013 Final Budget for your consideration and approval.

The Final Budget is developed based on the Budget Allocation Model as amended by the Board of Trustees on June 13, 2012 and through consultation with the Chancellor’s Cabinet and the District Budget Committee. The development of the District Budget has been an evolving process beginning with the Governor’s proposed State Budget in January 2012 and the State Budget Development through August 2012.

The District’s budget reflects the state apportionment funding reductions in the State adopted budget (AB1464) signed by the Governor on June 27, 2012 to close the $15.7 billion budget shortfall. It also includes the budget information submitted by the colleges and the District Office. Each college, through its shared governance process, sets its own budget priorities to meet its institutional goals and objectives.

The District’s budget for all funds is $3.47 billion. This budget includes $2.44 billion of Proposition A, AA, and Measure J Bonds in the Building Fund.

The District’s 2012-13 Final Budget of $3.47 billion reflects the following major budgets:

- Unrestricted General Fund revenue of $544.67 million
- Restricted General Fund revenue of $82.9 million for categorical programs to support student services and other specially funded programs
- Bookstore Fund of $27.79 million
- Building Fund (Prop. A, AA, and Measure J Bonds) of $2.44 billion
- Cafeteria Fund of $2.50 million
- Child Development Centers Fund of $4.13 million
- Student Financial Aid Fund of $342.70 million
- Special Reserve Fund (State Funded Capital Outlay Projects) of $23.88 million
- Debt Services Fund of $5.31 million
For the past year, the District has faced $46.4 million in cuts (-10%) and has had to balance serving the needs of its students, faculty, and staff with having colleges further reduce classes, restrict hiring, and freeze purchasing in addition to using balances to minimize the impact on programs and services.

In 2011-12, the District’s enrollment (FTES) decreased to 103,529, a loss of more than 5,800 FTES from the previous year’s enrollment of 109,350 FTES. More devastatingly, the State will have reduced the District’s funding to 95,954 FTES in 2011-12 and to 88,963 FTES in 2012-13, if the tax initiative fails. This is equivalent to turning away 15,000 to 25,000 students.

The State approved budget relies on the passage of the governor’s tax initiative in November and on midyear trigger cuts if the tax initiative fails. Given the uncertainty of the tax initiative, the District must plan conservatively and base financial projections on the assumption that the tax initiative does not pass. If the tax initiative fails, the California Community College system will receive a midyear trigger cut of $338.6 million (-7.3%). The District would therefore lose an estimated $31.3 million in state revenue. The District is projecting a potential deficit of $63 million in its unrestricted general operation expenses over revenue received.

Each college and the District Office have been directed to reduce expenditures by 6% of the 2011-2012 expenditure level. This will potentially provide $25.8 million in savings, which leaves a $38 million remaining deficit gap. The District has identified $16.1 million of expenditures from balances for certain committed expenditure items. Under this “worst case” scenario, we will have to identify another $21 million in cuts for the 2012-13 year. A Special Budget Task Force has been established by the Chancellor to develop and recommend to the Board a proposed action plan to be triggered should the November ballot measure fail and we are faced with a “worst-case” scenario.

The budget crisis is no doubt of deep concern to our Board of Trustees. The Board Finance and Audit Committee has stated that the District must maintain a minimum 5% general reserve and a 7.5% contingency reserve to protect its financial stability in fiscal year 2012-2013.

Your attention is directed to the Overview section of this document, which presents a more detailed discussion of the State's fiscal environment, the District's current revenue projections and planned expenditures. This Final Budget reflects the latest stage of the colleges’ 2012-2013 operational plans. Changes, such as the addition of specially funded program funds and transfers of funds among accounts, are expected throughout the fiscal year.

Respectfully submitted,

[Signature]

Daniel J. LaVista, PhD.
Chancellor
EXECUTIVE SUMMARY

The following is a brief summary of the District's 2012-2013 Final Budget with reference to extended discussions in the body of the document.

- The 2012-2013 Final Budget for all funds is $3.47 billion distributed over eight funds - General Fund, Bookstore Fund, Cafeteria Fund, Child Development Fund, Special Reserve Fund, Building Fund, Student Financial Aid Fund, and Debt Services Fund (page 1).

- The 2012-2013 General Fund, consisting of restricted and unrestricted programs, is $625.92 million, and represents 18.03 percent of the total budget (pages 2 - 7).

- The Unrestricted General Fund budget, which supports the principal operations of the District, is $544.67 million and represents 15.69 percent of the Final Budget (pages 8 - 12).

- The level of Unrestricted General Fund available for appropriation consists of beginning balances, reserve for open orders, transfers and income (page 19).

1) The Beginning Balance of $74.7 million is $15.4 million less than the 2011-12 Beginning Balance.

2) State General Revenue is projected to decrease from 2011-12, primarily because of a workload reduction of 7.28 percent in state general apportionment revenue.

- 2012-13 Unrestricted General Fund appropriations of $544.67 million are $53.23 million less than 2011-12 Final Budget (page 12). Appropriations for the nine colleges and ITV program are at $380.17 million, which is $63.8 million less than 2011-12 Final Budget allocation for college locations.

- Appropriations in all Other Funds appear to be adequate to maintain planned levels of service (pages 96 - 110).
OVERVIEW

The Final Budget for fiscal year 2012-2013, summarized in the following pages, has been revised from the Tentative Budget, which was adopted by the Board of Trustees on June 27, 2012. The Final Budget totals $3.47 billion for the General Fund and other funds. The budget includes $2.44 billion of Proposition A, AA and Measure J bond funds and $544.67 million for general operations of the District.

The State adopted budget (AB 1464) closed the $15.7 billion budget shortfall with a combination of $8.3 billion of spending reductions and $8 billion in revenue increases with most of the revenue generated from a November Tax Initiative (Proposition 30) that would raise the state sales tax and the state’s income tax on wealthy Californians. Due to the uncertainty of the passage of the Tax Initiatives, the Board Finance and Audit Committee has directed the District to plan the budget assuming the tax initiative fails (worst case scenario).

The following overview provides information on total funds available for each fund (Chart #1).

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**SUMMARY OF ALL FUNDS**

(In Millions)

<table>
<thead>
<tr>
<th></th>
<th>2010-11 Actual</th>
<th>2011-12 Final Bud</th>
<th>2012-13 Final Bud</th>
<th>2012-13 Final Budget difference from:</th>
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<td>GENERAL FUND</td>
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<td></td>
</tr>
<tr>
<td>Unrestricted Total</td>
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<td>697,901</td>
<td>515,252</td>
<td>543,655</td>
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<tr>
<td>Unrestricted Net</td>
<td>626,029</td>
<td>697,901</td>
<td>515,252</td>
<td>543,655</td>
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<tr>
<td>Restricted</td>
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<td>80,916</td>
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<tr>
<td>less Other Intrafund</td>
<td>1,860</td>
<td>1,664</td>
<td>1,796</td>
<td>1,698</td>
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<tr>
<td>TOTAL GENERAL FUND</td>
<td>619,420</td>
<td>681,390</td>
<td>604,273</td>
<td>579,301</td>
</tr>
</tbody>
</table>

| BOOKSTORE FUND       | 24,439        | 30,255           | 21,780           | 27,792                              |
| CAFETERIA FUND       | 2,806         | 2,551            | 2,364            | 2,435                               |
| CHILD DEVELOPMENT FUND | 0.050       | 7.821            | 8.672            | 2,101                               |
| SPECIAL RESERVE FUND | 65,617        | 85,250           | 45,522           | 25,191                              |
| BUILDING FUND        | 763,726       | 2,806,273        | 803,318          | 2,630,154                           |
| FINANCIAL AID FUND   | 221,594       | 307,319          | 238,595          | 242,594                             |
| DEBT SERVICE FUND    | 335,647       | 5,300            | 17,216           | 5,310                               |
| TOTAL APPROPRIATIONS | 2,040,568     | 3,928,129        | 3,122,743        | 3,414,875                           |

| less Interfund Transfers | 311,159 | 34,765 | 11,346 | 6,277 |
| TOTAL AVAILABLE        | 1,729,408 | 3,893,376 | 3,111,397 | 3,408,668 |

Note: Interfund Transfers represent a transfer between any two of the funds listed above. In order not to account for the same funds twice, transfers are subtracted from the total.

* 2012-13 Final Budget excludes Fund 10000.